

RESPONSE TEMPLATE FOR EXPOSURE DRAFT OF PROPOSED ISSA 5000, *GENERAL REQUIREMENTS FOR SUSTAINABILITY ASSURANCE ENGAGEMENTS*

Guide for Respondents

Comments are requested by **December 1, 2023**. *Note that requests for extensions of time cannot be accommodated due to the accelerated timeline for finalization of this proposed standard.*

This template is for providing comments on the Exposure Draft of proposed International Standard on Sustainability Assurance Engagements™ (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements* (ED-5000), in response to the questions set out in the Explanatory Memorandum to ED-5000. It also allows for respondent details, demographics and other comments to be provided. Use of the template will facilitate the IAASB's automated collation of the responses.

You may respond to all questions or only selected questions.

To assist our consideration of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Then below that include any detailed comments, as indicated.
- When providing comments:
 - Respond directly to the questions.
 - Provide the rationale for your answers. If you disagree with the proposals in ED-5000, please provide specific reasons for your disagreement and specific suggestions for changes that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.
 - Identify the specific aspects of ED-5000 that your response relates to, for example, by reference to sections, headings or specific paragraphs in ED-5000.
 - Avoid inserting tables or text boxes in the template when providing your responses to the questions because this will complicate the automated collation of the responses.
- Submit your comments, using the response template only, without a covering letter or any summary of your key issues, instead identify any key issues, as far as possible, in your responses to the questions.

The response template provides the opportunity to provide details about your organization and, should you choose to do so, any other matters not raised in specific questions that you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the "**Submit Comment**" button on the [ED-5000 webpage](#) to upload the completed template.

Responses to IAASB’s Request for Comments in the Explanatory Memorandum for ED-5000, General Requirements for Sustainability Assurance Engagements

PART A: Respondent Details and Demographic information

Your organization’s name (or your name if you are making a submission in your personal capacity)	Baker Tilly International
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Nick Jeffrey
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	Nick.jeffrey@bakertilly.global
Geographical profile that best represents your situation (i.e., from which geographical perspective are you providing feedback on ED-5000). Select the most appropriate option.	Global
	If “Other”, please clarify
The stakeholder group to which you belong (i.e., from which perspective are you providing feedback on ED-5000). Select the most appropriate option.	Assurance practitioner or firm - accounting profession
	If “Other”, please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	Baker Tilly International is a network of independent accountancy and business advisory firms. Member firms of Baker Tilly International provide assurance, tax, consulting, and advisory services. Our 41,200 people in 703 offices across 145 territories serve clients of all sizes across all sectors, including listed entities and public interest entities (PIEs).

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional.** The IAASB’s preference is that you incorporate all your views in your comments to the questions (also, the last question in Part B allows for raising any other matters in relation to ED-5000).

Information, if any, not already included in responding to the questions in Parts B and C:

PART B: Responses to Questions in in the Explanatory Memorandum for ED-5000

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Questions

1. Do you agree that ED-5000, as an overarching standard, can be applied for each of the items described in paragraph 14 of this EM to provide a global baseline for sustainability assurance engagements? If not, please specify the item(s) from paragraph 14 to which your detailed comments, if any, relate (use a heading for each relevant item).

(See Explanatory Memorandum Section 1-A, paragraph 14)

Overall response: [Agree, with comments below](#)

Detailed comments (if any): The work effort required for limited assurance opinions is too high and too close to the work effort required for reasonable assurance engagements. If left as is the IAASB risks enabling another “expectation gap” and fragmentation where national standard setters describe their own rules.

Public Interest Responsiveness

2. Do you agree that the proposals in ED-5000 are responsive to the public interest, considering the qualitative standard-setting characteristics and standard-setting action in the project proposal? If not, why not?

(See Explanatory Memorandum Sections 1-B, and Appendix)

Overall response: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any): Baker Tilly commends the IAASB on the exposure draft. It represents a strong global baseline and we support it as a basis for global endorsement which is important for consistent application in support of public confidence in the quality of sustainability assurance engagements. Consistent application will also enable competition between providers including making it more efficient for (Independent Assurance Service Providers [IASPs, which refers to non-accountants, it is widely held to be desirable that there should be competition among service providers] to participate in cross border and value chain engagements.

Specific Questions

Applicability of ED-5000 and the Relationship with ISAE 3410

3. Is the scope and applicability of ED-5000 clear, including when ISAE 3410 should be applied rather than ED-5000? If not, how could the scope be made clearer?

(See Explanatory Memorandum Section 1-C)

Overall response: [Yes \(with no further comments\)](#)

Detailed comments (if any):

Relevant Ethical Requirements and Quality Management Standards

4. Is ED-5000 sufficiently clear about the concept of “at least as demanding” as the IESBA Code regarding relevant ethical requirements for assurance engagements, and ISQM 1 regarding a firm’s responsibility for its system of quality management? If not, what suggestions do you have for additional application material to make it clearer?

(See Explanatory Memorandum Section 1-D)

Overall response: No, with comments below

Detailed comments (if any): The phrase “at least as demanding” is problematic in that it enables others to decide what that means in practice. ED-5000 should instead require compliance with the IESBA Code and ISQM 1. The IAASB should be confident in describing this framework as the gold standard which gives confidence to users. The concept of “at least as demanding as” is not interoperable or understandable by non-accountant assurance practitioners. In practice, the only likely means for a non-accountant to comply with the Code or ISQM 1 is to adopt them in full.

Definitions of Sustainability Information and Sustainability Matters

5. Do you support the definitions of sustainability information and sustainability matters in ED-5000? If not, what suggestions do you have to make the definitions clearer?

(See Explanatory Memorandum Section 1-E, paras. 27-32)

Overall response: Yes (with no further comments)

Detailed comments (if any):

6. Is the relationship between sustainability matters, sustainability information and disclosures clear? If not, what suggestions do you have for making it clearer?

(See Explanatory Memorandum Section 1-E, paras. 35-36)

Overall response: Yes (with no further comments)

Detailed comments (if any):

Differentiation of Limited Assurance and Reasonable Assurance

7. Does ED-5000 provide an appropriate basis for performing both limited assurance and reasonable assurance engagements by appropriately addressing and differentiating the work effort between limited and reasonable assurance for relevant elements of the assurance engagement? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 45-48)

Overall response: No, with comments below

Detailed comments (if any): ED ISSA 5000 requires minimal difference in assurance work effort between LA and RA meaning there would be minimal difference in administrative burden. This is not in line with market expectation or the expectation of lawmakers for example in the European Union. There is also a risk the user expectation gap may be increased as users may confuse the different levels of reliance they can place on LA and RA reports. Ways to explain the difference in work effort would be to substantively reduce LA requirements relating to risk, and to change the definition of LA from a continuum to a minimum level of required work (as ISSA 5000 does for RA).

Under LA the ED does not require the practitioner to identify risks at the assertion level nor assess risks. This appears to be a false reduction in required work effort because you cannot properly design work procedures to address risk (an ED requirement) without first understanding those two elements of the entity's ESG environment.

Preliminary Knowledge of the Engagement Circumstances, Including the Scope of the Engagement

8. Is ED-5000 sufficiently clear about the practitioner's responsibility to obtain a preliminary knowledge about the sustainability information expected to be reported and the scope of the proposed assurance engagement? If not, how could the requirements be made clearer?

(See Explanatory Memorandum Section 1-F, para. 51)

Overall response: Yes (with no further comments)

Detailed comments (if any):

9. Does ED-5000 appropriately address the practitioner's consideration of the entity's "materiality process" to identify topics and aspects of topics to be reported? If not, what approach do you suggest and why?

(See Explanatory Memorandum Section 1-F, paras. 52-55)

Overall response: Yes (with no further comments)

Detailed comments (if any):

Suitability and Availability of Criteria

10. Does ED-5000 appropriately address the practitioner's evaluation of the suitability and availability of the criteria used by the entity in preparing the sustainability information? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 56-58)

Overall response: Yes (with no further comments)

Detailed comments (if any):

11. Does ED-5000 appropriately address the notion of "double materiality" in a framework-neutral way, including how this differs from the practitioner's consideration or determination of materiality? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 59-60 and 68)

Overall response: No, with comments below

Detailed comments (if any): The concept of double materiality which includes "impact materiality" is receiving increasing stakeholder attention including in European Sustainability Reporting Standards (ESRS). ED ISSA 5000 does not address double materiality to an appropriate extent and this is unfortunate when the European Union is currently the biggest market to be requiring assurance on published ESG information. More clarification is needed than that currently provided in paragraphs A180 and A274.

Materiality

12. Do you agree with the approach in ED-5000 for the practitioner to consider materiality for qualitative disclosures and determine materiality (including performance materiality) for quantitative disclosures? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-F, paras. 65-74)

Overall response: Disagree, with comments below

Detailed comments (if any): The ED does not address the differences in views of materiality between the assurance practitioner and the reporting entity, which is particularly relevant where a framework mandates a 'double materiality' approach (such as CSRD/ESRS, GRI, TNFD)

Understanding the Entity's System of Internal Control

13. Do you agree with the differentiation in the approach in ED-5000 for obtaining an understanding of the entity's system of internal control for limited and reasonable assurance engagements? If not, what suggestions do you have for making the differentiation clearer and why?

(See Explanatory Memorandum Section 1-F, paras. 75-81)

Overall response: [No response](#)

Detailed comments (if any):

Using the Work of Practitioner's Experts or Other Practitioners

14. When the practitioner decides that it is necessary to use the work of a firm other than the practitioner's firm, is ED-5000 clear about when such firm(s) and the individuals from that firm(s) are members of the engagement team, or are "another practitioner" and not members of the engagement team? If not, what suggestions do you have for making this clearer?

(See Explanatory Memorandum Section 1-G, paras. 82-87)

Overall response: [No response](#)

Detailed comments (if any):

15. Are the requirements in ED-5000 for using the work of a practitioner's external expert or another practitioner clear and capable of consistent implementation? If not, how could the requirements be made clearer?

(See Explanatory Memorandum Section 1-G, paras. 88-93)

Overall response: [Yes, with comments below](#)

Detailed comments (if any): 51(d) requires the practitioner to determine whether the work of another practitioner is adequate, and 53(d) whether communication is adequate. There should be guidance on the meaning of "adequate".

Estimates and Forward-Looking Information

16. Do you agree with the approach to the requirements in ED-5000 related to estimates and forward-looking information? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 94-97)

Overall response: [Neither agree/disagree, but see comments below](#)

Detailed comments (if any): Forecasts, forward-looking information, and projections are currently treated together - it would be helpful to define these items in a differentiated way which is consistent with existing ISAs.

Risk Procedures for a Limited Assurance Engagement

17. Do you support the approach in ED-5000 to require the practitioner to design and perform risk procedures in a limited assurance engagement sufficient to identify disclosures where material misstatements are likely to arise, rather than to identify and assess the risks of material misstatement as is done for a reasonable assurance engagement? If not, what approach would you suggest and why?

(See Explanatory Memorandum Section 1-G, paras. 98-101)

Overall response: No, with comments below

Detailed comments (if any): LA requirements relating to risk should be substantively reduced.

Under LA the ED ISSA 5000 does not require the practitioner to identify risks at the assertion level nor assess risks. This appears to be a false reduction in required work effort because you cannot properly design work procedures to address risk (an ED requirement) without first understanding those two elements of the entity's ESG environment.

Groups and "Consolidated" Sustainability Information

18. Recognizing that ED-5000 is an overarching standard, do you agree that the principles-based requirements in ED-5000 can be applied for assurance engagements on the sustainability information of groups or in other circumstances when "consolidated" sustainability information is presented by the entity? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 102-107)

Overall response: Disagree, with comments below

Detailed comments (if any): The first entities reporting ESG information will mostly be groups. Reporting entities will likely gather and report ESG data from around their business using different procedures along different reporting lines under different control systems to those which they use for consolidating historical financial reporting information. ED ISSA 5000 should address aggregated ESG information in a group situation.

Fraud

19. Do you agree that ED-5000 appropriately addresses the topic of fraud (including “greenwashing”) by focusing on the susceptibility of the sustainability information to material misstatement, whether due to fraud or error? If not, what suggestions do you have for increasing the focus on fraud and why?

(See Explanatory Memorandum Section 1-G, paras. 108-110)

Overall response: [Click to select from dropdown menu](#)

Detailed comments (if any): Given the significant risk of fraud and greenwashing, especially during the initial implementation phase, the standard should contain a presumed fraud risk (similar to the rebuttable presumption in ISAs for revenue).

Communication with Those Charged with Governance

20. Do you support the high-level requirement in ED-5000 regarding communication with management, those charged with governance and others, with the related application material on matters that may be appropriate to communicate? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 111-112)

Overall response: [Yes \(with no further comments\)](#)

Detailed comments (if any):

Reporting Requirements and the Assurance Report

21. Will the requirements in ED-5000 drive assurance reporting that meets the information needs of users? If not, please be specific about any matters that should not be required to be included in the assurance report, or any additional matters that should be included.

(See Explanatory Memorandum Section 1-G, paras. 116-120, 124-130)

Overall response: [No response](#)

Detailed comments (if any):

22. Do you agree with the approach in ED-5000 of not addressing the concept of “key audit matters” for a sustainability assurance engagement, and instead having the IAASB consider addressing this in a future ISSA? If not, what do you propose and why?

(See Explanatory Memorandum Section 1-G, paras. 121-123)

Overall response: [Disagree, with comments below](#)

Detailed comments (if any): It is an identified omission so should be addressed now.

23. For limited assurance engagements, is the explanation in the Basis for Conclusion section of the assurance report that the scope and nature of work performed is substantially less than for a reasonable assurance engagement sufficiently prominent? If not, what do you propose and why?
(See Explanatory Memorandum Section 1-G, para. 131)

Overall response: [Neither yes/no, but see comments below](#)

Detailed comments (if any): The relative prominence of the explanation is satisfactory, but the statement itself is not supported by the work effort required by the ED ISSA 5000 for LA which is not much less than for RA.

Other Matters

24. Are there any public sector considerations that need to be addressed in ED-5000?
(See Explanatory Memorandum Section 1-I, para. 135)

Overall response: [No response](#)

Detailed comments (if any):

25. Are there any other matters you would like to raise in relation to ED-5000?

Overall response: [Yes, as further explained below](#)

Detailed comments (if any): It would help to add definitions of terms used in ISSA 5000 with existing definitions in other standards. E.g. the following terms were not defined in ISSA 5000 yet “business risk”, “controls”, “general information technology (IT) controls” (“general IT controls”), “information processing controls”, and “IT environment”, “IT application” can be taken from ISA 315 Revised.

EER guidance: while the IAASB issued the EER guidance in 2021, that guidance is non-authoritative and should be transposed into the final ISSA 5000.

Value chains: like double materiality providing assurance on value chain information is receiving increasing stakeholder attention. Value chain information is also required by the European Union’s Corporate Sustainability Reporting Directive (CSRD). Value chain reporting is an important factor for a broad range of stakeholders in ESG reporting. Consequently ED ISSA 5000 should address assurance on value chain information.

Ensuring ISSA 5000 is fit for purpose: to avoid fragmentation of assurance standards ED ISSA 5000 must be ready and enjoy broad stakeholder support, especially given that the EU plans to adopt an EU-wide assurance standard in 2026. The IAASB should allow reporting and assurance practice to develop under a stable platform of principles as described in ISSA 5000 for a period of 3 years before making changes or addressing emerging issues. The IAASB has done very well to produce ED ISSA 5000 in an unprecedented timeframe but there is a risk that if the standard is changed after a short period of time or perceived to be about to change then this will impair regulatory appetite to adopt ISSA 5000 (ie they may wait until the standard has “stopped moving”). That said there is a lot in the way of guidance and supplementary materials that will be needed if ISSA 5000 is to be operable but that doesn’t need to be authoritative or included in the standard.

Part C: Request for General Comments

The IAASB is also seeking comments on the matters set out below:

26. Translations—Recognizing that many respondents may intend to translate the final ISSA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-5000.

Overall response: [No response](#)

Detailed comments (if any):

27. Effective Date—As explained in paragraph 138 of Section 1-I – Other Matters, the IAASB believes that an appropriate effective date for the standard would be for assurance engagements on sustainability information reported for periods beginning or as at a specific date approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. Do you agree that this would provide a sufficient period to support effective implementation of the ISA. If not, what do you propose and why?

Overall response: [Agree, with comments below](#)

Detailed comments (if any): [It is critical that earlier application is permitted.](#)